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SENSITIVE

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STATE FOR EAP/ANP, EEB/TPP

STATE PASS TO USTR B. WEISEL

STATE PASS USDA/FAS E.MANGINO

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SUBJECT: NEW ZEALAND'S MINISTER OF TRADE ASSESSES

HIGHLIGHTS OF WASHINGTON VISIT

Classified By: CDA David J. Keegan; Reason: 1.4 (b) and (d)

11. (SBU) Summary: New Zealand's Trade Minister Tim Groser categorized all his meetings in Washington as extremely successful; he also expressed decidedly negative reactions to recent dairy export subsidy measures by the U.S. and EU. Groser outlined his plans to revamp NZ development assistance to focus more on developing the trade and economic capacities of Pacific Island nations. He was particularly encouraged by his discussions with U.S. officials in advance of the Cairns Group meeting regarding marrying efforts to address climate change concerns with agricultural initiatives. End Summary.

Background

12. (SBU) On June 2, Charge', Ag Attache' and Econoff met with New Zealand's Trade Minister Tim Groser to get his assessment of his series of meeting and speaking events in Washington between May 12-15, 2009. Also acting in his capacity as NZ's Associate Minister for Climate Changes along with Adrian Macey, NZ's Climate Change Ambassador at the Ministry of Foreign Affairs and Trade (MFAT), they covered issues of concern to NZ in both the trade and environment arenas. Graeme Harrison, Chairman of the International Business Forum in NZ accompanied the delegation and was present at events with NZ business interests and the U.S. Chamber of Commerce. Minister Groser also met with the President of the World Bank, Robert Zoellick, USTR Ron Kirk, Mike Froman, Deputy NSC Advisor for International Economics Affairs and Todd Stern, the State Dept.'s Special Envoy for Climate Change. Groser also gave a speech to the U.S. Chamber of Commerce entitled, "Trade and the Road to (Economic) Recovery - An Asia Pacific Perspective."

New Direction in New Zealand's Development Assistance

13. (SBU) The first half of the Minister's readout was devoted to his plans/vision for changing New Zealand's economic aid and development assistance programs. He spoke about merging NZAID (NZ aid agency) back into MFAT and using economic assistance to focus more on building trade and economic development in and with Pacific Island countries. Groser said he liked some of the studies and policy advice that was being produced by the Lowy Institute in Sydney. Groser stressed that GNZ's vision was not so narrow as to

shift focus in assistance merely as an attempt to increase export opportunities to Pacific nations but a genuine desire to build more sustainable economies. He said that one measure of New Zealand's success could be a negative trade balance with the islands as they improve their ability to export to New Zealand and Australia.

Trans-Pacific Partnership

14. (C) Turning his attention to the issue of closer trade relations with the U.S., Groser said he was "absolutely thrilled" at the positive signals from Secretary of State Clinton, USTR Ron Kirk and others regarding the improved relationship between the United States and New Zealand. He noted that the recent visit of Foreign Minister Murray McCully to Washington had been very successful from New Zealand's perspective, and they were intently focused on finding ways to continue improving the relationship. Turning specifically to prospects for a Trans-Pacific Partnership Agreement (TPP). Groser said he expected the announcement soon to restart negotiations, but the shape and tone of the announcement could/would be worded differently from what was originally announced (e.g., perhaps a different configuration of countries and/or issues). He said he was realistic and recognizes that it has to be a U.S. decision and that NZ cannot influence that decision but would be very surprised if the U.S. were to say no to restarting TPP negotiations. If U.S. were to say no (to TPP), he sees negative consequences for the United States as well as its friends in the region, with China taking on a more dominant role among the Asia

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Pacific economies. "The question would be, who is going to lead the trade and investment integration in Asia in the future in the absence of a leadership role played by the United States and the answer is clearly China." With China extending its influence in the Asia-Pacific region, Groser "would rather see more U.S. involvement in the region and the sooner the better."

Dairy Export Incentive Program (DEIP)

15. (C) Groser stressed that he was "deeply disappointed" with the U.S. announcement of its support for dairy export subsidies (DEIP). "At the end of the day, it is impossible to reconcile the U.S. action with the recent G-20 communique'." Groser went so far as to say that if the upcoming OECD Ministerial drafted a similar communique', "I could not let New Zealand be associated with such hypocrisy and I would not sign it." Groser expressed his concern that the U.S. decision to implement DEIP will lead us down the slippery slope of a larger future trade war as evidenced by the recent French initiative to get pig meat subsidies in place. In the strongest of terms he said, "the U.S. can't expect the rest of the world to take trade liberalization seriously if the U.S. says one thing and does another."

16. (C) Comparing the EU and U.S. approach to dairy export subsidies, Groser indicated he was "informed" that the EU's Dairy Management Committee (DMC) made its decision to introduce export subsidies in a vacuum without an understanding of the bigger picture while the U.S. made the decision in spite of a recent Congressional Research Service (CRS) paper predicting minimal benefits accruing to U.S. dairy sector as a result of DEIP. He said it was his desire to eventually see the U.S. and EU issue a joint statement saying the EU will abolish export refunds and US won't reintroduce DEIP. In the near-term, Groser believes it would be good for the advancement of trade liberalization if the U.S. and EU could jointly agree on at least 4 or 5 basic principles that would restart momentum to resist further protectionism. Groser added that he expected a degree of "head bashing" on DEIP at the upcoming Cairns Group meeting in Bali, but he said for his part he intends to remain even

handed.

Climate Change and Trade Policy

¶7. (SBU) Mark Sinclair, lead trade negotiator for TPP at MFAT, noted that there was a "meeting of the minds" in the session between NZ Ambassador Macey and Mike Froman, Deputy NSC Advisor regarding the intersection between the WTO trade policies and Climate Change policies. According to Sinclair, Groser was pleased with the level of engagement and feedback he got from his U.S. counterparts on calling for greater attention to be paid to the effects of climate change produced by agriculture and cooperative efforts to mitigate. Groser also said his expectations for the upcoming Cairns Group were measured.

KEEGAN